

Tennessee Sports Hall of Fame

**For the Year Ended
December 31, 1997**

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October 12, 1998

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
and
The Honorable Steve Adams, Treasurer
State Capitol
Nashville, Tennessee 37243
and
Mr. Al Brown, Tennessee Sports Hall of Fame President
The University of Memphis
Memphis, Tennessee 38152

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Sports Hall of Fame for the year ended December 31, 1997. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting resulted in no audit findings.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/sk
98/117

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Sports Hall of Fame
For the Year Ended December 31, 1997

AUDIT OBJECTIVES

The objectives of the audit were to consider the Tennessee Sports Hall of Fame's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
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**Audit Report
Tennessee Sports Hall of Fame
For the Year Ended December 31, 1997**

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Tennessee Sports Hall of Fame For the Year Ended December 31, 1997

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Sports Hall of Fame. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

LEGISLATIVE HISTORY

The Tennessee Sports Hall of Fame was created in 1994 by the General Assembly under Section 4-3-5402, *Tennessee Code Annotated*. The purpose of the Hall of Fame is to honor athletes, athletic teams, and other sports personalities of Tennessee.

ORGANIZATION

The Tennessee Sports Hall of Fame is governed by a 25-member board of directors. Eight members are appointed by the Governor, eight by the Lieutenant Governor, and eight members by the Speaker of the House of Representatives. The State Treasurer or his designee serves *ex officio*.

AUDIT SCOPE

The audit was limited to the period January 1, 1997, through December 31, 1997, and was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

General of the United States. Financial statements are presented for the year ended December 31, 1997.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the Tennessee Sports Hall of Fame's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the Tennessee Sports Hall of Fame's financial statements for the year ended December 31, 1997, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Consideration of internal control disclosed no material weaknesses.

Compliance

There were no provisions of laws, regulations, contracts, or grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the financial statements of the Tennessee Sports Hall of Fame.

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

July 16, 1998

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Tennessee Sports Hall of Fame as of and for the year ended December 31, 1997, and have issued our report thereon dated July 16, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

We assessed compliance with laws, regulations, contracts, and grants pertaining to the Tennessee Sports Hall of Fame. We determined there to be no compliance requirements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Therefore, we did not test for compliance with laws, regulations, contracts, and grants.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tennessee Sports Hall of Fame's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the

The Honorable W. R. Snodgrass
July 16, 1998
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internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting that we have reported to the Tennessee Sports Hall of Fame's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/sk

Independent Auditor's Report

July 16, 1998

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Tennessee Sports Hall of Fame, as of December 31, 1997, and December 31, 1996, and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Tennessee Sports Hall of Fame's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Sports Hall of Fame, as of December 31, 1997, and December 31, 1996, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

The Honorable W. R. Snodgrass
July 16, 1998
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 1998, on our consideration of the Tennessee Sports Hall of Fame's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/sk

TENNESSEE SPORTS HALL OF FAME, INC.
BALANCE SHEETS
DECEMBER 31, 1997 AND DECEMBER 31, 1996

	<u>1997</u>	<u>1996</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 203,498	\$ 52,475
Certificates of deposit	1,477,473	1,609,852
Interest receivable	<u>34,701</u>	<u>21,904</u>
Total assets	\$ <u>1,715,672</u>	\$ <u>1,684,231</u>
<u>LIABILITIES AND EQUITY</u>		
Total liabilities	\$ <u>-</u>	\$ <u>-</u>
Equity		
Retained earnings-unreserved	215,672	184,231
Contributed capital	<u>1,500,000</u>	<u>1,500,000</u>
Total equity	<u>1,715,672</u>	<u>1,684,231</u>
Total liabilities and equity	\$ <u>1,715,672</u>	\$ <u>1,684,231</u>

See accompanying Notes to the Financial Statements.

TENNESSEE SPORTS HALL OF FAME, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1997, AND DECEMBER 31, 1996

	1997	1996
<u>OPERATING REVENUES</u>		
Membership dues	\$ 3,140	\$ 2,175
Banquet revenue	12,125	34,165
Total operating revenues	15,265	36,340
<u>OPERATING EXPENSES</u>		
Membership		
Printing	574	476
Postage	-	162
Total membership	574	638
Banquet		
Inductee and honoree expense	3,040	4,790
Food and entertainment	11,264	12,837
Audiovisuals	8,869	4,728
Printing and artwork	2,579	2,437
Postage	199	517
Supplies and temporary help	289	515
Total banquet	26,240	25,824
General and Administrative		
Board expenses	456	-
Management fee	12,000	6,000
Telephone and fax	47	998
Supplies-general office	6	43
Printing and stationery	825	321
Subscriptions	100	100
Miscellaneous expense	163	34
Postage	290	120
Accounting service	400	175
Legal fees	-	592
Insurance	250	250
Taxes, licenses, and fees	40	785
Total general and administrative	14,577	9,418
Hall of Fame Museum		
Arena rent	100	-
Museum research-travel	6,573	-
Museum research-storyline development	26,500	-
Miscellaneous expense	256	-
Total Hall of Fame Museum	33,429	-
Total operating expenses	74,820	35,880
Operating income (loss)	(59,555)	460
<u>NONOPERATING REVENUES</u>		
Interest income	90,996	94,917
Total nonoperating revenues	90,996	94,917
Net income	31,441	95,377
Retained earnings, January 1	184,231	88,854
Retained earnings, December 31	\$ 215,672	\$ 184,231

See accompanying Notes to the Financial Statements.

TENNESSEE SPORTS HALL OF FAME, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 1997, AND DECEMBER 31, 1996

	<u>1997</u>	<u>1996</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net cash provided (used) by operating activities	\$ <u>(59,555)</u>	\$ <u>460</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of certificates of deposits	(4,373,049)	(2,659,451)
Proceeds from maturities of certificates of deposits	4,505,428	2,576,483
Interest received	<u>78,199</u>	<u>73,012</u>
Net cash provided (used) by investing activities	<u>210,578</u>	<u>(9,956)</u>
Net increase (decrease) in cash	<u>151,023</u>	<u>(9,496)</u>
Cash at January 1	<u>52,475</u>	<u>61,971</u>
Cash at December 31	\$ <u><u>203,498</u></u>	\$ <u><u>52,475</u></u>

See accompanying Notes to the Financial Statements.

**Tennessee Sports Hall of Fame
Notes to the Financial Statements
December 31, 1997, and December 31, 1996**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Tennessee Sports Hall of Fame is a nonprofit corporation founded in the 1960's to honor the outstanding achievements of Tennesseans in the realm of sports. With Title 4, Chapter 3, of *Tennessee Code Annotated*, the General Assembly passed the Tennessee Sports Hall of Fame Act of 1994 (Act) to officially create a Tennessee Sports Hall of Fame to honor, preserve, and perpetuate the names and accomplishments of outstanding Tennessee athletes, athletic teams, and other sports personalities; to establish, erect, and maintain a permanent archive for the collection and display of memorabilia related to the lives and careers of individuals, teams, and sports events chosen for induction by the hall of fame; and to promote the spirit of sportsmanship and genteel competition both inside and outside the arena of athletic competition.

Under the act, a new board of directors was founded composed of 25 Tennessee citizens, eight appointed by the Governor, eight by the Lieutenant Governor, and eight by the Speaker of the House. The State Treasurer or his designee serves as an *ex officio* member of the board.

The Tennessee Sports Hall of Fame, Inc., has been classified as a related organization of the State of Tennessee and is discussed in a note to the financial statements in the *Tennessee Comprehensive Annual Financial Report*.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency follows all applicable GASB pronouncements, as well as applicable private-sector pronouncements issued on or before November 30, 1989.

Measurement Focus and Basis of Accounting

The accompanying financial statements of the Tennessee Sports Hall of Fame, Inc., have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Tennessee Sports Hall of Fame
Notes to the Financial Statements (Cont.)
December 31, 1997, and December 31, 1996

B. OTHER ACCOUNTING DISCLOSURES

Cash and Certificates of Deposits

Cash includes demand deposits, savings deposits in banks, and certificates of deposit with maturities of 90 days or less. Certificates of deposit with original maturities of three months or longer are stated at cost and are not considered cash equivalents.

The bank balances of deposits including cash, certificates of deposit, and accrued interest are in financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. The securities pledged to protect these deposits are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Risk Management

The Tennessee Sports Hall of Fame, Inc., is exposed to various risks of loss and has purchased commercial insurance for these risks. There have been no claims filed with the commercial insurer in the past three years.

C. PRIOR-PERIOD ADJUSTMENT

Interest receivable was understated by \$21,846 on the agency's balance sheet as of December 31, 1996. Also, interest income was understated by \$21,846 on the agency's statement of revenues, expenses, and changes in retained earnings for the year ended December 31, 1996. The balance sheet as of December 31, 1996, and the statement of revenues, expenses, and changes in retained earnings for the year ended December 31, 1996, presented in this report have been properly restated.